



Advocates for Rural Broadband

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Executive Vice President

September 18, 2015

Filed Via ECFS

Marlene H. Dortch, Secretary
Federal Communications Commission
Office of the Secretary
445 12th Street, SW
Washington, DC 20554

RE: *Connect America Fund*, WC Docket No. 10-90

Dear Ms. Dortch:

On Wednesday, September 16, 2015, Archie Macias of Wheat State Telephone ("Wheat State") in Kansas; Steven Sanders, Jr. of Northern Arkansas Telephone Company ("NATCO") in Arkansas; David and Marilyn Osborn of Valley Telephone Cooperative, Inc. ("VTXI") in Texas; Dana Baker and Judy Ushio of GVNW Consulting; Lynn Merrill of Monte R. Lee and Company; and Derrick Owens, Patricia Cave and Gerry Duffy representing WTA – Advocates for Rural Broadband ("WTA") met with Rebekah Goodheart, Legal Advisor - Wireline to Commissioner Mignon Clyburn, to discuss their experience in serving rural areas and its relevance to universal service reform.

Messrs. Macias, Sanders and Osborn each described their companies and their rural service areas, and provided the attached one-page summaries. All three companies emphasized the substantial need for broadband services in their rural areas. Farmers and ranchers depend upon the up-to-date pricing, sales, weather and other critical information they monitor constantly online. Drillers seeking oil and gas in remote areas require 24/7 high-speed broadband connections with their managements and vendors. In fact, many drilling companies are increasingly confining their operations to areas with high-speed broadband service. Rural broadband connections are becoming increasingly important for elementary and high school students to do their homework and projects, and for students of all ages to take online academic and training courses.

All three companies have deployed broadband facilities, including fiber-to-the-home ("FTTH"), to substantial portions of their service areas. They emphasized that their broadband networks not only serve their residential and business customers, but also support local schools, libraries, hospitals and other rural health care facilities, and provide backhaul for local wireless services.

The three companies expressed their desire to continue to invest in the extension and upgrading of their broadband networks to provide the higher and higher speed services and applications their rural customers want. However, the uncertainty and insufficiency of high-cost support during recent years has caused them and their lenders (primarily, the Rural Utilities Service) to become much more cautious in planning, financing and undertaking substantial infrastructure deployment projects.

The companies are aware of the ongoing discussions at the Commission regarding further universal service reform, and of the possibility of a two-pronged path going forward consisting of optional Model-based support and revised rate-of-return mechanisms. All three companies indicated that they were reviewing potential

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options and alternatives with open minds, and that they had not yet reached any conclusions or determined their preferences. They did, however, note certain questions and concerns with respect to each potential approach.

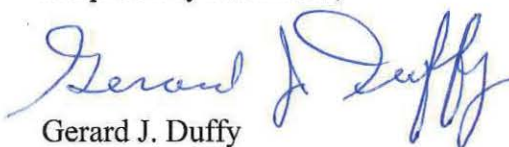
With respect to the Alternative Connect America Model ("A-CAM"), the companies indicated that assumed network structures and cost estimates based upon price cap company networks in more densely populated areas do not apply to many smaller rural local exchange carriers ("RLECs") that serve areas so sparsely populated that the price cap carriers have long declined to serve them. As a concrete example, whereas many mapping sources place "locations" at mailboxes or driveway access points, most substantial farms and ranches locate homes and other living quarters well off the road, often several miles from such designated "locations." Whereas a model can show a readily served "location," the RLEC will need to install and maintain a lengthy and expensive drop to serve the actual customers at the "location." Mr. Osborn observed that low population density areas were particularly likely to render model assumptions and estimates inaccurate, and that differing soil and rock conditions also produced significant distortions.

With respect to rate-of-return mechanism revisions under consideration, the companies were concerned that the bifurcation of "old" and "new" investment under consideration was being developed too rapidly without sufficient time for detailed testing and analysis, and consequently was likely to entail unforeseen consequences. They were particularly worried that it will require complicated and expensive additional bookkeeping, allocation, reporting and auditing procedures.

Whatever high-cost support mechanisms the Commission ultimately uses, the three companies emphasized their urgent need for stability, predictability and sufficiency. Small RLECs and their lenders simply cannot undertake broadband infrastructure projects with 10-to-25 year useful lives and loan terms without reasonable certainty that there will be sufficient revenues to recover the costs and repay the loans.

Pursuant to Section 1.1206(b) of the Commission's Rules, this submission is being filed for inclusion in the public record of the referenced proceeding.

Respectfully submitted,



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cc: Rebekah Goodheart

Attachments



Wheat State Telephone

has been on the cutting edge of communications services since 1950. Today, our Fiber To The Home network helps define successful communities just as good water, power, public safety, and schools have done for decades. Through fiber Wheat State transmits not only phone service, but internet and television services as well. It's all part of our commitment to provide our customers with the latest ways to stay connected, informed, and entertained — both today and into the future.

- **Primary Provider**-Wheat State Telephone is carrier of last resort in 722 square miles of rugged Kansas terrain serving resident and businesses customers at statewide benchmark monthly rates of \$17.00 and \$20.00, respectively, in the communities of Cassoday, Matfield Green, Olpe, Potwin, Rock, and Udall.
- **Connectivity for Community Growth**-Wheat State has deployed a robust FTTH network via 623 miles of fiber. Internet speeds of 25/5 Mbps are available to all customers.
- **Family Ownership**-Wheat State is in its 3rd generation of ownership. Family members and many employees live in the communities we serve.

Spend Less

With Triple Play Bundles



Customer Focus

Member of Kansas Fiber Net

Wheat State and 28 other Kansas rural telcos have built a statewide fiber network. This enables Wheat State to bring broadband to its customers at an affordable price.

Partnering for video services

Wheat State has partnered with 3 other rural telcos to bring video to its customers. Provide transparency for exponential increases in programming costs. Prohibit anti-consumer bundling demands. Increase flexibility in market designations.

For more information please contact:

Archie Macias, General Manager at

(620) 782-3341 or visit

<http://newportal.wheatstate.com>

Surf Faster

With High Speed Internet



Call More

with Wheat State Telephones
Local & Long Distance Service





Northern Arkansas Telephone Company

Since 1951, NATCO Communications has served the scenic Bull Shoals Lake South Shore region of north-central Arkansas for nearly 65 years. Headquartered in Flippin, Arkansas, NATCO Communications provides broadband telecommunications services to businesses and residents in a 658 square mile rural service area that encompasses portions of Marion and Boone Counties. An incumbent local exchange company (an ILEC), NATCO Communications has consistently offered its rural citizens cutting edge advanced broadband telecommunications services including Voice, Internet (Fiber-to-the-home, High Speed Broadband and Satellite), Cellular and Television (Internet TV and Cable TV).

- NATCO has invested in over 225 miles of fiber to provide Fiber-to-the-Home (FTTH) as well as connect remote electronics to enhance broadband services to our rural communities. NATCO continues to invest in FTTH deployment in Bull Shoals and Flippin, increasing the FTTH footprint in Arkansas.
- NATCO is an Equal Opportunity Employer with 40 employees providing competitive pay and comprehensive benefit packages including medical/dental insurance, long-term/short-term disability insurance, long-term care insurance and excellent retirement benefits.
- NATCO Communications, by way of its charitable arm the South Shore Foundation, awards scholarships for academic achievers in schools in each of our service areas and promotes education for all ages through essay contests, youth leadership programs, education grants, and endowed scholarships at two area community colleges. NATCO's commitment to deliver fiber optic and broadband services to schools began almost two decades ago and continues today.

Points of Interest:

In 1952, President Harry Truman visited Bull Shoals for the dedication of Bull Shoals Dam. NATCO installed a switchboard at the dam site as construction was winding down.

NATCO is the service provider to such world-wide companies as Micro-Plastics, Ark-Plas, Actronix (all from the injection molding plastics industry), and the headquarters of Ranger Boats.

NATCO has invested tens of millions of dollars to safeguard its customers' telecommunications in the event of severe weather, including tornadoes and ice storms by burying an estimated 71% of its facilities. No easy task given the area's rugged terrain.

Broadband Deployment Efforts

By using BIP grant funding, RUS loans and NATCO's own resources, the company continues to invest in its rural service area to provide the most advanced services available to its citizens.

For more information please contact:

Steven G. Sanders, Jr.,
General Manager

870.453.9273, steven@natconet.com
or visit us at www.natconet.com





Valley Telephone Cooperative, Inc.

was established in April 22, 1952 for the purpose of providing telephone service to rural subscribers deemed unfeasible by the larger companies. We were established on the principals of service, excellence and value. Today, we are growing stronger than ever before. Valley Telephone Cooperative, VTX Communications, and VTX Telecom, known as the **VTX1 Companies**, provide broadband access to enable Internet, television and telephone applications for homes and small businesses in South Texas, and carrier services for large enterprises.

- **Connectivity for Community Growth** - VTX1's broadband network extends from south of San Antonio to the lower Rio Grande Valley serving residents at a rate of \$18.80 a month and businesses at a rate of \$19.80 a month. Our clients range from locally own businesses, remote farms and ranches to state of the art educational facilities, medical institutions and world renowned integrated communications providers.
- **Employment Opportunities** - VTX1 employs over 190 local residents providing competitive pay and comprehensive benefit packages. VTX1 is the third largest employer in Willacy County, Texas.
- **Education** - VTX1 funds 20 Scholarships each year and supports other important programs and measures such as *Teach For America* and our local *Literacy Boards* to help aid in the development of youth leadership/education/ etc.



Points of Interest:

We want to serve our customers with communications services they need to allow them to compete and produce, at rates they can afford.

Universal Service Support Mechanism

- Current A-CAM model would reduce VTX1's USF by over 50% or more than \$6 million dollars.
- Proposed caps of investment and expenses on existing High Cost Programs would drop rural Texans far behind urban/sub urban counterparts.
- Entities providing communications services but not contributing to USF programs creates arbitrage and funding issues.

Broadband Deployment Efforts

VTX1 has invested \$10 million annually in order to provide state of the art broadband, data and communications services and will continue to do so if USF continues at current levels.

